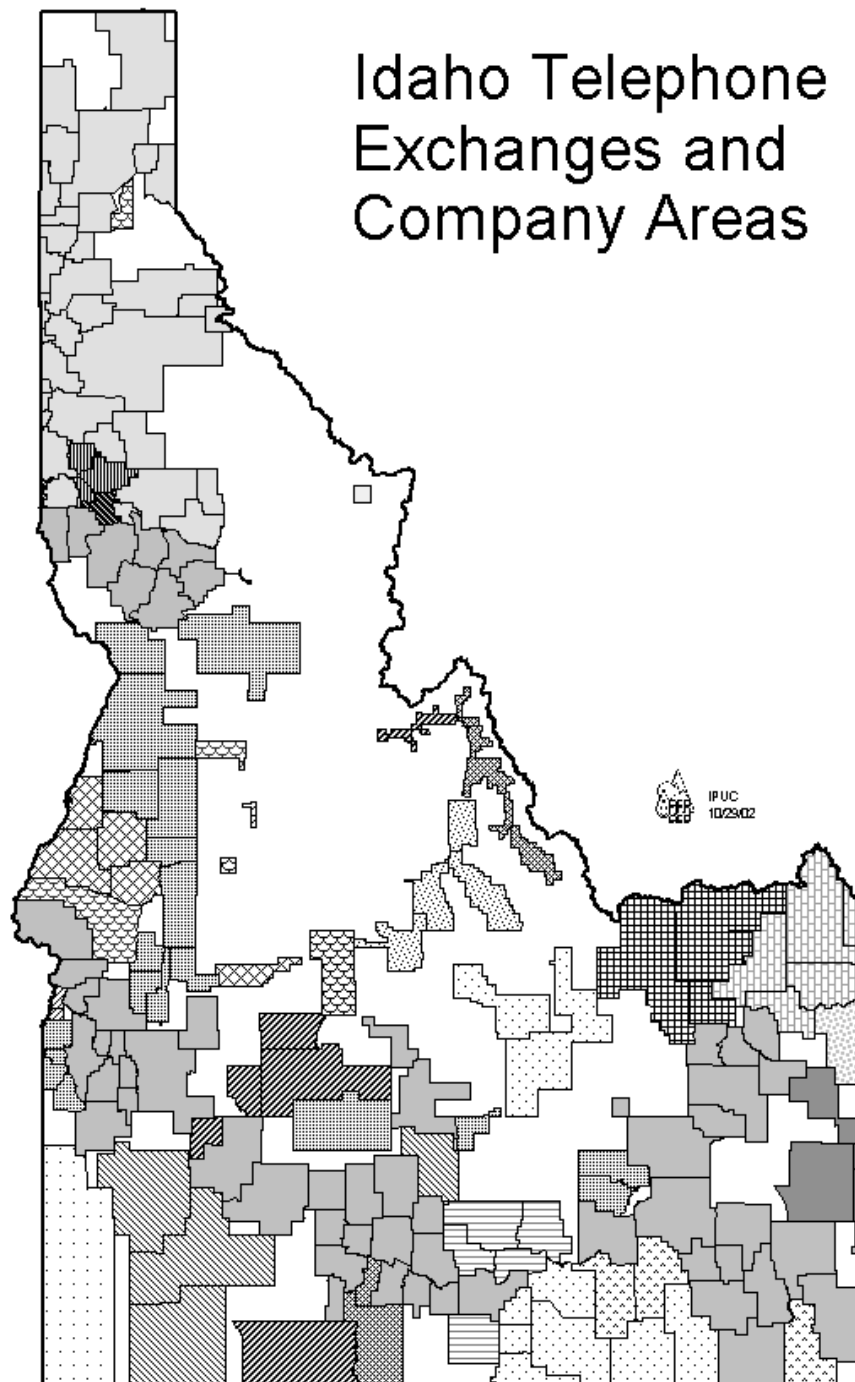


























Idaho Telephone Exchanges and Company Areas



Regulated Companies

-  ATC
-  Cambridge
-  CenturyTel of Idaho
-  CenturyTel of the Gem State
-  Citizens
-  Direct
-  Fremont
-  Island
-  Middle
-  Oregon-Idaho
-  Pike
-  Quest
-  Rural
-  Silver Star
-  TDS
-  Telco
-  Verizon
-  Unclaimed

Co-ops

-  Blackfoot
-  Custer
-  Farmers Mutual
-  Filer Mutual
-  Mid Lake
-  Project Mutual

Telecommunication Utilities

Under IPUC Rate Jurisdiction

Albion Telephone Corp (ATC)

P.O.Box 98
Albion, Idaho 83311-0098
208/675-5335

Cambridge Telephone Company

P.O.Box 86
Cambridge, Idaho 83610-0086
208/257-3314

CenturyTel of Idaho, Inc.

P.O.Box 1007
Salmon, Idaho 83467
208/756-3300

CenturyTel of the Gem State

P.O.Box 9901
805 Broadway
Vancouver, Washington 98668
360/905-5800
111 A Street
Cheney, Washington 99114
509/235-3170

Frontier, A Citizens Communications Company

4 Triad Center, Suite 220
Salt Lake City, Utah 84180
801/321-6602
P.O.Box 926
201 Lenora Street
McCall, Idaho 83638
208/634-6150

Inland Telephone Company

103 South Second Street
P.O.Box 171
Roslyn, Washington 98941
509/649-2211

Fremont Telecom, Inc.

110 E. Main Street
St. Anthony, Idaho 83445
208/624-7300

Midvale Telephone Exchange

P.O.Box 7
Midvale, Idaho 83645-0007
208/355-2211

Verizon Northwest, Inc.

17933 N.W. Evergreen Parkway
P.O.Box 1100
Beaverton, Oregon 97075
503/629-2281
208/765-4351 (Coeur d'Alene)
800/483-4100 (Moscow)
208/263-0557, Ext. 204
(Sandpoint)

Oregon-Idaho Utilities, Inc.

P.O.Box 190310
Rincon Station
San Francisco, California 94119
415/597-7811
714 Main Street
P.O.Box 1406
Caldwell, Idaho 83605
208/454-7800

Pine Telephone System, Inc.

P.O.Box 706
Halfway, Oregon 97834
541/742-2201

Potlatch Telephone Company

P.O.Box 138
702 E. Main Street
208/835-2211
Kendrick, Idaho 83537

208/835-2211

Kendrick, Idaho 83537

Rockland Telephone Company, Inc.

P.O.Box 269
147 W. 4th Avenue
Rockland, Idaho 83271
208/548-2345

Rural Telephone Company

704 W. Madison Avenue
Glenns Ferry, Idaho 83623
208/366-2614

Silver Star Telephone Company, Inc.

P.O.Box 226
Freedom, Wyoming 83120
307/883-2411

Troy Telephone Company

P.O.Box 138
702 E. Main Street
Kendrick, Idaho 83837-0138
208/835-2211

Teton Telecom Communications

P.O.Box 900
Driggs, Idaho 83422
208/354-3300

Qwest Communications

North and South Idaho
P.O.Box 7888 (83723)
999 Main Street
Boise, Idaho 83702
800/244-1111

Idaho Telecommunications

Competition Stalls

A surge in the level of activity by competitive local exchange companies (CLECs) at the end of the last fiscal year led to optimism that competition was finally going to provide benefits for Idaho's consumers. That optimism proved to be premature as uncertainty at the national level caused most CLECs to curtail their marketing as this fiscal year got under way.

The uncertainty concerned the long-term availability and pricing of facilities that CLECs purchase from an incumbent local exchange carrier, such as Qwest. Incumbents are required to provide these facilities, known as unbundled network elements, to competitors, rather than forcing the competitor to duplicate the expensive network of the incumbent. The competitor leases these facilities at rates that are designed to compensate an efficient incumbent for its costs, including a reasonable profit.

The determination of which facilities had to be made available to competitors has always been controversial, and federal courts had rejected the first two attempts of the Federal Communications Commission (FCC) to decide this issue. The third attempt, a split decision that was released at the beginning of the fiscal year, reached some decisions, and delegated to the states the responsibility for fine-tuning the list of facilities to make available for competitors. As the year came to a close, the courts rejected parts of this new decision, effectively removing some of the more controversial elements from the list.

The most controversial of the elements, and the most important to residential competition, was known as UNE-P, or UNE package, which consisted of the copper loop from the incumbent's central office as well as all the switching services to allow the competitor to serve the customer. UNE-P allowed a competitor to serve a customer without a significant investment in local facilities. In theory, a competitor would lease UNE-P until they had enough customers in a local area to justify making a local investment. However, the incumbents claimed that the continued availability of UNE-P eliminated any incentive for competitors to invest in facilities. In light of the last court decision the FCC has clearly indicated that UNE-P will be phased out. In response to this development, AT&T, which had not yet aggressively entered the Idaho market, announced that it was abandoning its marketing for residential customers.

An alternative to the UNE method, which relied upon regulatory bodies to determine prices and products, was to encourage the companies to negotiate terms for these products on their own. While this approach did not lead to much success nationally, Qwest did reach agreements with some of its competitors, including MCI, which was becoming a significant competitor in Idaho with its nationally advertised "neighborhood" product. MCI scaled back its national advertising last year and has not yet aggressively marketed products under its new agreement with Qwest.

The Idaho Public Utilities Commission approved 15 more applications for Certificates of Public Convenience and Necessity to provide competitive local exchange service during the year covered by this report and had granted a total of 73 companies with certificates by June 30, 2003. However, only a handful of these CLECs have made the market decision to actually provide service to Idaho customers.

In the year covered by this report, the commission also approved more than 80 interconnection agreements and amendments to previous agreements between incumbent telephone companies and competitors, including those providing wireless or paging services. These agreements specify the terms and conditions for connecting one company's system to the others so that calls may transfer seamlessly from one company to the next. They also include the terms and conditions under which an incumbent will sell its services, or the individual network elements that CLEC's may use to provide competitive services without

duplicating the existing facilities.

The Idaho Telecommunications Act of 1988 allowed telephone companies to elect modified regulation for all but basic local exchange service to customers with five or fewer lines at one location. U S WEST chose partial deregulation under Title 62 for its territory in southern Idaho, beginning April 1, 1989. All telecommunications companies that only provide long distance services also come under the provisions of Title 62. These companies set their own prices and file price lists with the commissioners for informal purposes.

Approximately 400 long distance companies have price lists on file with the commission, although the number actually providing service to Idaho customers is estimated to be only a fraction of that. After years of increasing growth in the number of price lists on file, this number remained relatively stable the past four years.

Services provided by the new CLECs are not rate-regulated, but, in accordance with the provisions of Title 62, are subject to the commission's rules. Telecommunications companies not providing basic local service, such as a long distance company, are also not subject to rate-setting authority of Title 61, but must comply with Title 62 rules. Upon complaint, the commission may hold hearings and order changes if the public interest is adversely affected, and may resolve disputes between companies. Title 62 regulations require that price lists be filed with the commission.

Commission staff reviewed more than 380 price lists or revisions to price lists during the year. While the commission does not review the actual prices in the price lists, staff checks the terms and conditions of the price list for compliance with applicable commission rules. The commission retains the authority to review the quality, availability, terms and conditions of service offered by economically deregulated Title 62 companies.

Until the commission determines that incumbent local exchange companies (ILEC) face effective competition throughout an exchange, basic local exchange service provided by an ILEC to residential and small business customers remains under the commission's Title 61 rate-setting authority.

In 2002, Qwest sought price deregulation of its seven largest exchanges, claiming the availability of wireless service was effective competition. The commission rejected Qwest's request, claiming wireless providers did not provide effective competition for landline phones..

More than 75 tariff revisions for price-regulated services were reviewed and approved by the commission during this year. Most of these involved the introduction of new vertical or advanced services or adjustments to prices or fees made necessary by orders of the Federal Communications Commission or IPUC orders.

Broadband Tax Credit Reviews

In 2001, the governor signed House Bill 377 authorizing income tax credits for the installation of qualifying broadband infrastructure in Idaho. Idaho Code § 63-3029B(3)(a)(ii). "Qualified broadband equipment" is defined as those network facilities capable of transmitting signals that are at a rate of at least 200,000 bits per seconds (bps) to a subscriber and at least 125,000 bps from a subscriber. To be eligible for the tax credit, the taxpayer must apply and obtain "from the Idaho public utilities commission an order confirming that installed equipment is qualified broadband equipment."

Since its inception, the Idaho Public Utilities Commission has received applications for orders confirming qualified broadband investments from over twenty different telephone, cable and wireless broadband companies. To date, the commission has approved about \$4.7 million of broadband investment tax credits. A company's actual tax credits are ultimately approved when it files at the Idaho Tax Commission.

Local exchange companies

In addition to the North Idaho service area of Qwest, which remains fully regulated, and subject to the provisions of Title 61, there are 16 other local exchange companies whose services are still fully regulated by the commission. Qwest's Southern Idaho operating company is by far the largest local exchange company, with more than 67 percent of the customer lines (about 500,000) in the state. Verizon is a distant second, with nearly 130,000 access lines (about 18 percent). The Qwest North service area is the third largest, with 36,000, or 5 percent.

Frontier, formerly known as Citizens, is Idaho's fourth largest local exchange carrier with more than 20,000 access lines (3 percent). Fourteen other regulated telecommunications companies also serve Idaho residents, as well as six mutual or cooperative companies. These 20 companies serve the remaining 7 percent.

Idaho's Universal Service Fund

Telephone companies operating in Idaho have been required since July 1988 to contribute to a Universal Service Fund (USF) to ensure that the high costs of small telephone companies do not result in rates that exceed the statewide average by more than 25 percent. These local and long distance companies are permitted to recover their contributions from local and long-distance customers. Local exchange companies may apply for assistance from this fund. They must submit proof to the commission that when they set their local rates at 125 percent of the statewide average, they still do not fully recover their cost of providing local service. The commission evaluates the circumstances and determines whether and for what amount the company may receive Universal Service funds.

Long distance companies connecting in-state long distance calls in Idaho are required to remit a 0.3 cent (\$0.003) surcharge for each in-state long distance minute. Those companies are also required to submit periodic reports detailing their minutes of in-state toll usage. Local exchange companies are required to remit on a monthly basis 10 cents (residential) and 15 cents (business) for each line served.

Universal Service Fund Facts

July 1, 2003 -- June 30, 2004

	Residential	Business	Toll Access
Statewide average	\$17.53	\$31.67	\$0.0526
125 percent of average	\$21.92	\$39.59	
Monthly surcharge rate	\$0.10/line	\$0.15/line	
LD/WATS surcharge rate	\$0.003/min		

Fund Activity

Balance 6/30/03 \$ 861,281

Collections

Local Surcharge	\$767,621
Toll Surcharge	\$718,169
Total	\$1,485,790
Interest Earned	\$ 23,523
Co. Disbursements	\$1,943,524
Admin/Amort/	\$ 12,534
Bank/Brkr	
T-Note	<u>\$300,592</u>

Disbursements

ATC	\$528,352
Cambridge	\$167,381
Direct Comm	\$221,848
Fremont	\$123,894
Inland	\$ 43,161
Midvale	\$379,660
Rural	\$316,128
Silver Star	<u>\$163,101</u>
	\$1,943,524

Balance 6/30/04 \$ 439,868

Idaho Telephone Service Assistance Program

The Idaho Telephone Service Assistance Program (ITSAP), commonly referred to as a “lifeline” program, provides credits to low income households to assist them to obtain and maintain telephone service. Because the value of telephone service increases as more households have a telephone, a small contribution from all non-participating households is used to fund this program. In response to federal changes to the program, the Idaho Legislature opened the program to all low-income households.

The credits include \$3.50 per month per household in state funds, plus \$3.50 in matching funds from the federal government. In addition, the federally imposed subscriber line charge of \$6.50 is waived for ITSAP participants. The combined value of federal and state credits is \$13.50 per month per household.

The Department of Health and Welfare established and administers application procedures and eligibility determinations. Utilities are provided a list of the telephone numbers for qualifying households and automatically provide qualifying households with the credits.

The commission is responsible for maintaining the fund and reimbursing the telephone companies for the cost of providing these credits. Based upon the estimates of the number of households eligible for the credits, the commission maintained the monthly surcharge paid by all telephone users, including wireless customers, at 12 cents per line. The average number of credit recipients increased by nearly 5% to over 29,000 as of January 1, 2004.

The ITSAP surcharge is assessed on residential, business, and wireless users. The gross surcharge revenue is netted against the assistance credits paid to eligible customers and the company’s administrative costs. Gross surcharge revenues collected by telecommunications companies during the year totaled \$1,695,732, of which \$851,449 (56 percent) was assessed on local exchange services and \$744,283 (44 percent) was assessed on wireless/cellular services. The fund balance as of December 31, 2003 was \$231,714.

For the calendar year 2003, the total value of credits provided was \$4,679, 298, with Idaho’s share of the credits was \$1,199,298, with the Federal share \$3,480,000.

Telephone Relay Service

Idaho inaugurated telephone relay service (TRS) on Dec. 1, 1992, for the hearing- and speech-impaired. TRS requirements were created by the Federal Communications Commission under Title IV of the Americans with Disabilities Act of 1990. The 1992 Idaho Legislature established the manner in which TRS has been implemented.

Under Idaho rules, the Idaho Public Utilities Commission established a seven-member telephone industry committee to help select and advise a TRS administrator. In 1992, the commission appointed Robert Dunbar as its first TRS administrator.

In accordance with an FCC requirement, Idaho’s local exchange companies implemented 711 dialing access to TRS service on October 1, 2001.

Hamilton Telecommunications also offers internet-based relay service. Hamilton Internet Protocol Relay (HIP Relay) is a 24-hour service that allows individuals who are Deaf, Hard of Hearing or Speech Disabled to use computers and other web devices to connect to HIP Relay via the Internet in order to place a call to any standard telephone user, VCO user or HCO user. At this time, NECA reimburses Hamilton for internet relay communication.

A TRS call may be initiated by a text telephone user or a standard phone user. The caller dials 711 or a toll-free number to access the TRS center and reaches a Communications Assistant (CA) who will process the call. The caller gives the CA the number of the person to be called and the CA places the call. The CA will type to the person with the text telephone and speak to the person with the standard phone, relaying what

is spoken/typed by each party.

“The idea is to allow as close to normal telephone service as possible for hearing- and speech-impaired persons,” according to Dunbar.

Callers only pay the cost of the telephone call, as if the call was placed directly between the telephones. Long distance calls are billed based upon the points of origination and termination and many long distance companies bill them on a reduced rate basis. No charge is assessed local calls.

TRS service is available statewide and may be reached by voice by dialing 711 or 1-800-377-1363. Contact with a text-telephone operator is made by dialing 1-800-377-3529. Questions or comments regarding the use of TRS may be directed from either a text or voice telephone to 1-800-368-6185. Information on Idaho’s TRS program is also available via the Internet at: www.hamilton.net

All Idaho local exchange companies pay 4 cents per access line per month. In-state long distance companies pay \$0.0007 per bill minute to support the TRS. The commission did not change this rate in 2004. As of October 1, 2001, TRS can be accessed from any phone simply by dialing 711.

Questions or comments regarding the use of TRS may be directed from either a text or voice telephone to 1-800-368-6185.

Telecommunications Case Reviews

March 26, 2004

TELEPHONE COMPANIES SEEK DELAY IN NUMBER PORTABILITY

Case No. GNR-T-04-1, Order No. 29452

An association representing 16 rural Idaho telephone companies were granted a six-month delay from the Idaho Public Utilities Commission to implement number portability in their respective service areas.

Number portability allows wireline customers to switch to wireless phones without changing numbers. Wireless customers switching to another wireless company would also be able to retain their number.

The Federal Communications Commission ordered that all local exchange telephone companies have number portability in place by May 24. However, the FCC also said local exchange carriers with fewer than 2 percent of the nation's subscriber lines can petition their state commissions for a six-month suspension.

The Idaho companies asking for the extension included Albion Telephone Company, Cambridge Telephone Company, Filer Mutual Telephone Company, Custer Telephone Cooperative, Farmers Mutual Telephone Company, Filer Mutual Telephone Company, Midvale Telephone Company, Mud Lake Telephone Cooperative Association, Project Mutual Telephone Cooperative Association, Direct Communications – Rockland, Rural Telephone Company, Silver Star Telephone Company, Columbine Telephone Company, Oregon-Idaho Utilities, Rural Network Services, Inc., CTC Telephone, Fretel Communications and Fremont Telecom.

Inland Telephone Company, with customers in rural areas northeast of Lewiston, filed a separate petition seeking a six-month extension.

The member companies of the Idaho Telephone Association say they are pursuing an economically and technically feasible way to provide number portability, but that a system upgrade is required. The companies claim that waiting until the technology is complete will avoid significant adverse economic impact on their customers.

Inland says the cost to upgrade its switch will be about \$400,000. It has not yet received a request for number portability.

All the companies say they will have number portability in place no later than Nov. 24. The commission granted the delay but said the companies must provide written reports of their progress toward LNP on July 23 and Sept. 24.

April 14, 2004

COMMISSION DENIES PETITION FOR TOLL-FREE CALLING

Case No. GNR-T-01-12, Order No. 29466

The Idaho Public Utilities Commission denied a petition by residents in the Pine-Featherville area and residents in the Bruneau-Grand View to have toll-free calling between the two areas.

About 107 residents of the two communities signed petitions asking the commission to grant toll-free extended area service (EAS) between the Bruneau/Grand View residents, served by CenturyTel of the Gem State, and the Pine/Featherville residents, served by Rural Telephone Company.

EAS creates toll-free calling among exchanges, but the costs are recovered by increasing the basic, local rates for all the customers within the exchanges. When considering a request for toll-free calling, the

commission typically adheres a test of six community service standards. If the commission finds those standards are met and the benefits of EAS outweigh the costs, EAS is usually granted.

The community of interest standards include geographic proximity between the exchanges; the presence of geographic or other physical barriers such as mountains and rivers; a county-seat relationship; a school district relationship; proximity to medical facilities and services; and the willingness of customers to pay increased local rates.

An investigation by commission staff found the petition did not meet any of the standards. Customers did not indicate an interest in paying higher local rates to accommodate EAS. The areas between the exchanges are more than 50 miles apart, each is served by their own school districts and the vast majority of the residents reside in separate counties. The schools serving all the exchanges have toll-free access to the homes of all students and none of the residents have to make a toll call to reach their county seat. Customers from the exchanges primarily rely on medical facilities in the Mountain Home or Boise exchanges, which do not require toll calls.

The primary link, according to commission staff, is recreation. Staff indicated that some Bruneau-Grand View residents have summer cabins in the Pine-Featherville areas.

Further, the commission noted that the Rural Telephone Company, serving Pine and Featherville, receives universal service funding, a fund supported by all Idaho telephone customers to keep telephone rates in rural, high-cost areas comparable to rates in urban areas, where it is less expensive to serve customers. Universal service funds would likely be used to implement EAS in Rural's territory, commission staff found.

"The commission is reluctant to use USF funds contributed by Idaho ratepayers generally to finance EAS between exchanges that have tenuous ties at best," said the commission.

August 5, 2004

COMMISSION DENIES TOLL-FREE CALLING FOR THREE CREEK CUSTOMERS

Case No. GNR-T-00-41, Order No. 29546

The Idaho Public Utilities Commission is denying a petition by residents of the Three Creek area in south-central Idaho to gain toll-free calling into the Magic Valley calling area.

The Three Creek exchange, which includes about 50 residential and 10 business customers, is southwest of Twin Falls near the Nevada border. The exchange covers areas of Owyhee and Twin Falls counties. It is served by Rural Telephone Company.

In November of 2000, the commission received a petition from about 28 residents of the exchange asking for Extended Area Service (EAS) into the Magic Valley calling area. At the time of the petition, the customers did not have a local Internet service provider, thus making Internet access cost-prohibitive for school children and the community. Since then, Idaho Public Utilities Commission staff made Rural Telephone aware of a grant opportunity from the U.S. Department of Agriculture's Rural Utilities Service. Rural Telephone was eventually awarded the maximum \$400,000 to increase cable capacity. Because local Internet access is now available, that particular need for EAS has been satisfied, the commission said.

Rural Telephone estimates it would cost another \$172,000 to provide toll-free calling into the Magic Valley calling area. Calling data obtained before and after local Internet service was provided indicates that typically 55 of the 60 Three Creek customers did not make calls into the Magic Valley exchanges in the surveyed months.

Increasing customer bills from their current \$21.63 per month to the maximum \$24.10 would raise only \$1,482 of the annual upgrade costs required for toll-free service. The rest of the funding would have

to come from the state Universal Service Fund, which subsidizes basic telephone service in high-cost, rural areas.

The commission said it is reluctant to use USF funds provided by Idaho ratepayers to finance toll-free calling when the need is questionable. "The commission recognizes the calling convenience that accompanies EAS into a larger calling areas, but is concerned that so few customers would benefit in proportion to the rate increases necessitated by EAS approval," the commission said.

Nov. 12, 2004

TOLL-FREE CALLING IN SHOUP, SALMON EXCHANGES GRANTED

Case No. GNR-T-01-3, Order No. 29631

The Idaho Public Utilities Commission approved a request by Shoup residents for toll-free calling into the Salmon and North Fork exchanges. Currently, calls from Shoup into Salmon and North Fork, and vice versa, are long-distance, toll calls.

Because of the costs associated with extending toll-free areas, local rates for customers in the exchanges will increase. For Shoup-area residents, their Rural Telephone Co. rate will increase from \$21.63 per month to \$24.10. Business customers will pay \$42, up from \$40.68. The new rate is the same that is paid by most customers of independent, rural Idaho telephone companies.

Rates will also go up by 9 cents per month for CenturyTel business customers in Salmon and North Fork, who will also be able to call toll-free into Shoup. For residential customers, the new rate will be \$21.84 per month and for business customers, \$39.86.

The toll-free calling is expected to begin in about two months.

A commission staff survey found that during July of this year, 21 out of 61 Shoup customers averaged three calls to Salmon. Eighteen Shoup customers averaged more than 40 calls during the month to Salmon. The commission received 10 comments from Shoup customers, all of whom favored an increase in their basic rates to allow toll-free calling to Salmon and North Fork. It also received a petition in favor from 31 homeowner members of a subdivision 13.5 miles from North Fork.

"We conclude that customers in these relatively isolated exchanges rely heavily on Salmon schools, businesses and medical facilities to provide most the basic services customers use on a day-to-day basis, but are not currently available without a toll call," the commission said. The commission gave particular weight to the fact that emergency calls from Shoup customers to 911 would be toll-free.

November 9, 2004

COMMISSION GRANTS MOTION TO DISMISS SOLDIERS MEADOW CASE

Case No. GNR-T-04-2, Order No. 29627

The Idaho Public Utilities Commission granted a motion by Qwest Corp. to dismiss a complaint by Nez Perce County residents who wanted the telephone company to extend service to their area. Soldiers Meadow residents petitioned for reconsideration but that petition was later denied.

Residents of the Soldiers Meadow Reservoir area wanted Qwest to extend landline service to their properties, most of which are summer homes. Soldiers Meadow is outside Qwest's service territory. The commission agreed that Qwest is not obligated to serve the approximate 22 customers unless they are willing to pay the estimated \$7,800 per customer to extend the service. Qwest estimated construction costs would be at least \$180,000. Six of 22 residents who responded to a commission survey said they

would pay up to \$1,000, six said they would pay up to \$200 and 10 said they were not willing to pay any of the costs.

In granting Qwest's motion to dismiss, the commission noted that only about seven property owners are full-time residents of Soldiers Meadow and that all residents were aware landline telephone service was not available when they purchased their properties.

Soldiers Meadow residents maintained they should be allowed service without installation charges because residents of Forest, four miles away, receive service. However, Forest is within Qwest's service territory. Forest residents qualified for service without capital contributions under a tariff Qwest no longer uses. Under the new Qwest tariff, customers inside Qwest territory can qualify for a \$1,600 credit toward installation costs, but are responsible to pay all costs above the credit amount. "It is indisputable that even if Soldiers Meadow were part of Qwest's service area, making the line extension tariff applicable, the citizens are not willing to pay the construction costs above the \$1,600 customer credit," the commission said.

July 29, 2004

COMMISSION DENIES FUNDING FOR TELECOM HIGH-COST SUPPORT

Case No. GNR-T-03-8 and GNR-T-03-16; Order No. 29541

Two wireless telecommunication providers will not qualify for subsidized support to offer services in areas of rural Idaho already served by other telephone companies.

By a 2-1 vote, the Idaho Public Utilities Commission denied petitions by Nextel Partners and Clear Talk, each of which sought designation as an "eligible telecommunications carrier" (ETC). The designation would have qualified the companies for assistance from the Universal Service Fund.

The Universal Service Fund (USF) was created by Congress in the 1930s to ensure that citizens, schools, libraries and health care facilities located in largely rural areas receive the same quality of service and comparable rates to those who live in urban areas. It costs telephone companies more money to serve in rural areas where there are fewer customers to pay for telephone lines, wires and switches. All telephone companies providing interstate service must contribute to the USF and nearly all choose to pass on their contribution to customers in the form of a line item that appears on customer bills. In Idaho, customers contribute about 8 cents per residential line per month, 13 cents per business line per month and \$.0025 for every minute of long-distance calls within the state.

Both Nextel and Clear Talk already provide wireless service in the areas in which they seek ETC designation but maintain they could expand services in their areas and also promote competition with USF support. The Telecommunications Act of 1996 promotes two primary goals for the federal Universal Service Fund: to provide for universal service in rural, high-cost areas and to encourage competition.

However, the majority on the commission said both companies were engaging in "cream skimming" by seeking ETC designation only in the lower cost areas of the study areas pertinent to their applications. For example, Clear Talk sought ETC designation for St. Anthony, but excluded the Island Park area. Nextel applied for service in Rupert, but excluded Oakley, Minidoka and Norland.

Commissioners were also concerned that qualifying more areas for universal service support in areas where there are already telecommunication providers that qualify for USF would drain the fund and increase consumers' costs to support the fund.

Commissioner Marsha Smith dissented from the majority opinion. "Although I share the majority's concern that granting these applications may adversely impact the federal USF, this concern is

an insufficient basis to deny the application,” Smith said. “While this commission may not approve of a support system that awards USF to multiple ETCs, that is the system that is in place today.” Smith said the FCC is examining the issue of USF support in competitive areas but has not yet modified the standards in place for granting ETC designation.

Further, Smith said Nextel Partners’ application should have been granted because the company indicated it would make the same commitments to provide service outside its existing service areas. “Nextel Partners’ dilemma is that it needs ETC status to obtain federal USF support to expand in high-cost rural areas, but cannot get ETC status without expanding into such areas,” she said.

Nextel sought ETC status in areas served by Albion Telephone Company, Filer Mutual Telephone Company, Farmers Mutual Telephone Company, Mud Lake Telephone Cooperative, Project Mutual Telephone Cooperative, Rural Telephone and Citizens Telecommunications of Idaho.

Clear Talk sought ETC designation in areas served by Fremont Telecom, Project Mutual and Citizens.

The majority of those companies were represented in the case by the Idaho Telephone Association, which opposed the Nextel and Clear Talk petitions. Also intervening in opposition to the applications were Project Mutual Telephone Cooperative and Citizens Telecommunications Company.